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CHAL-0204✓

Copy No. 1

5 December 1956

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Conversation with Director of the Budget

In my conversation with Jim Killian on 4 December concerning Project GUSTO, I made the following points which seemed most persuasive to him and which you might wish to have in mind in your conversation with Mr. Stans. These were in support of the argument that the Agency Reserve should be restored to a level which would permit at least  to be used for GUSTO in Fiscal Year 1959 and Fiscal Year 1960 if that Project is ultimately approved.

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2. If it is suggested that the Pentagon can budget for this amount, one answer is that they have not in fact done so. Quarles has told Killian within the last two weeks that the Defense Department budget includes no provision for this Project. Some money must therefore be added somewhere unless it is to be done entirely at the expense of other presently planned activities.

This document contains information  
referring to Project **CHALICE**

This document contains information  
referring to Project **GUSTO**

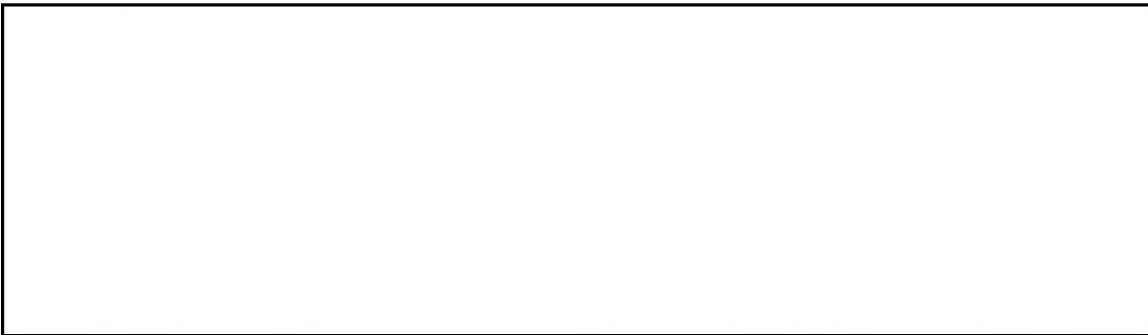
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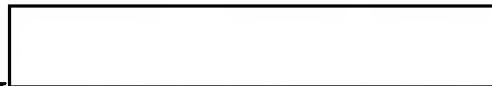
3. If it is suggested that it must be added to one of the Military budgets, you can point out that it will appear in the Pentagon budget in any case. Moreover, Mr. Stans might be impressed by the argument that if this added money is put in our Reserve, it cannot be used for any other purpose without his foreknowledge and concurrence. If GUSTO does not eventuate he will be in a position to see that the money is neither obligated nor spent.



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5. If it is suggested that the Air Force might do the whole job, the main points I would make are that they are far less able to maintain the required security and in fact find it more difficult to move fast. The reason is simply that the Air Force is a large organization and that many offices and individuals must be knowledgeable of and participate in any major project. It is practically impossible for the Air Force to compartment a project of this kind under an individual with the authority he requires to move quickly and securely. If they would so handle it, the relationship to the rest of the Air Force would be approximately the same as has been that of the U-2 project.

6. Finally, if Mr. Stans asks whether we are building up a big organization to handle projects like this, you might say that I have only three men working for me on R&D matters, two of whom are Air Force officers and that I have a small group of about a dozen who handle all contracting. I have no intention of adding any to this group. The reason we were able to do the U-2 Project and could, I think, do GUSTO is that we maintain the most intimate relationship with the appropriate parts of the Air Force and the Navy specifically with ARDC and with BuAer. Instead of duplicating these organizations we make use of them.



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cc: DD/S

RICHARD M. BISSELL, JR. *me*  
SA/PD/DCI

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